

## ***Statement***

### ***Insurance Association of Connecticut***

Insurance and Real Estate Committee

March 13, 2012

SB 409) An Act Concerning Disclosures For Certain Life Insurance  
Policies And Concerning Life Insurance And Annuity Policies  
That Include Long-Term Care Benefits

The Insurance Association of Connecticut (IAC) opposes section 1 of SB 409, An Act Concerning Disclosures For Certain Life Insurance Policies And Concerning Life Insurance And Annuity Policies That Include Long-Term Care Benefits.

The stated purpose of section 1 of SB 409 is "to require certain disclosures to be provided for a universal life policy or similar policy that reserves the right to periodically increase the cost of insurance." In actuality, section 1 of SB 409 sets up a series of onerous, costly and time-consuming administrative burdens on insurers that could in effect prevent legitimate increases in the future.

For example, subsection (b)(1) requires disclosure to each policyholder, at least 120 days prior to the effective date of the proposed cost increase, of "(F) a copy of the illustration provided to the policyholder at the time the policy was issued and a revised illustration that reflects the proposed cost of insurance increase." The insurer would have to manually go through each affected policy file, pull the original illustration (depending on the age of the policy, one may not exist), and then manually prepare a new illustration. The cost and time required for such a manual task on a policy by policy basis, for an untold number of policies, would be extraordinary.

Subsection (b)(1)(E) would require disclosure to the policyholder of “the methodology and assumptions used to develop the proposed cost of insurance increase.” Such information may include company trade secrets, which should not be subject to disclosure.

Section 1 provides that a policyholder can sue over a Cost of Insurance increase and withhold part of the premium, thereby creating financial uncertainty for the insurer for the pendency of the trial (which could take years). If the policyholder loses the case, the policyholder can either pay back the withheld premium (without interest or fees) or rescind the policy, effective back to the date of the cost of insurance increase, and get back all the premium previously paid after that date. In effect, SB 409 would grant free life insurance for the term of the litigation, as payment would have been made if the original insured had died during that period.

Section 1 requires numerous types of information to be filed with the Insurance Commissioner at least 120 days prior to the proposed effective date of the cost change, including information that is not required concerning the original product filing by the company. In fact, there are already disclosure provisions in the insurance contracts stating that the cost of insurance may change. The bill’s own language, in lines 7 and 8, recognizes that reality. Contracts also contain provisions describing rate maximums that can’t be exceeded.

The voluminous information requirement is made for no apparent reason other than to complicate and make administratively untenable any attempt by an insurer to increase the cost of insurance for a Universal Life policy. As proof of that point, Section 1 establishes no requirements or duties for the Commissioner relative to this new information.

Section 1 of SB 409 is supposedly about disclosure, when its actual goal is obfuscation and the prevention of legitimate rate determinations by insurers. The demand for section 1 of SB 409 comes not from the public but from an investment company that purchased large blocks of insurance policies on the secondary market for investment purposes. If the price of the policies go up after being purchased, the investors' ultimate profit goes down. The proponent made a business deal, and they are seeking the General Assembly's assistance in changing that deal, after the fact, to their benefit and to the unfair and direct detriment of insurers.

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IAC urges rejection of section 1 of SB 409.